British Columbia Buildings Corporation

ANNUAL REPORT 199

91-06097/

Front: Nelson Law Courts.
This heritage building, designed by Francis Mawson Rattenbury, was opened in 1909.
Photo by **Siegfried Noetstaller**

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The British Columbia Buildings Corporation is a Crown corporation established by legislation in 1976 to bring strict accountability to the provision and allocation of government accommodation.

Using a market based pricing system to the maximum extent possible, the Corporation establishes rents which are charged to government ministries for the space they occupy. The Corporation thus fulfills its mandate to be revenue dependent, while ministry budgets more accurately reflect the costs of government programs.

The concept of the Corporation was unique and has been copied, to varying degrees, by some other provinces as well as jurisdictions in other countries. It is structured in a similar way to private sector corporations:

- Overall direction is vested in a Board of Directors.
- Operations are financed through revenue derived from charging for the space and services provided
- Capital projects are financed through borrowings and internally generated funds.

The Corporation is accountable to the Legislature through the Minister of Women's Programs and Government Services and Minister Responsible for Families.

FIVE YEAR HIGHLIGHTS

Year Ended March 31			$ thousands		
FINANCIAL	**1991**	**1990**	**1989**	**1988**	**1987**
Gross Revenue	**298,393**	266,583	260,125	250,104	239,885
Operating Income	**72,993**	66,797	73,813	67,394	66,539
Interest	**52,372**	47,679	45,655	44,429	61,247
Net Income	**20,621**	19,118	28,158	22,965	5,292
Cash Flow	**38,425**	46,324	67,757	51,148	36,877
Total Assets	**736,164**	719,333	643,882	592,000	567,458
			Per Cent		
Operating Income Margin	**24.5**	25.1	28.4	26.9	27.7
Return on Investment	**12.1**	11.7	13.1	10.4	10.2
Return on Equity	**16.3**	16.2	26.4	22.1	5.1
PROPERTIES			**Square Metres**		
Owned	**1,332,900**	1,299,355	1,310,213	1,303,960	1,300,433
Leased	**564,693**	505,271	469,321	459,946	442,577
Maintained	**182,670**	80,048	78,203	78,420	79,003
	2,080,263	1,884,674	1,857,737	1,842,326	1,822,013
STAFF					
Total Authorized Complement	**768**	785	788	870	939

His Honour
The Honourable David C. Lam, C.M., K.St.J., LL.D.
Lieutenant-Governor of the Province
of British Columbia

MAY IT PLEASE YOUR HONOUR

The undersigned has the honour to present the Annual Report of the British Columbia Buildings Corporation for the year ended March 31, 1991.

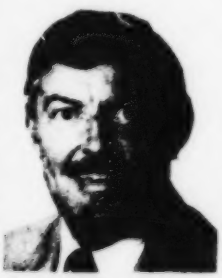
Carol Gran
Minister of Women's Programs
and Government Services
and Minister Responsible for Families

BOARD OF DIRECTORS

Thomas A. Toynbee, Chairman
Businessman
Ganges

Dennis Truss
President
and Chief Executive Officer
Victoria

Norman Cafik
Retired
Sidney
(from December 15, 1990)



M. A. (Mac) Christie
Businessman
Burnaby

Dorothy Coulter
Businesswoman
Armstrong

Len Fox
Businessman
Vanderhoof

Gordon L. Hunter
Businessman
Victoria

Robert E. Parkinson
Businessman
Victoria
(to December 15, 1990)

Dan Peterson
MLA
Langley
(to June 28, 1990)

Gordon Robson
Businessman
Maple Ridge
(to March 14, 1991)

Lynn Roberts
Businesswoman
Surrey
(from June 28, 1990)

Audit Committee: Messrs. Christie (Chairman), Fox, Hunter

PRESIDENT'S REPORT

In a year of great challenge, BC Buildings can reflect on a year of substantial achievement.

There were four key areas of growth and change. We continued to meet the high service level expectations of our customers; expanded our business in the public sector; took more actions to reflect our concern for the environment; and, most importantly, we began a process of corporate strategic renewal.

I am pleased to report on the year's more significant results and, at the same time, to acknowledge with grateful thanks the superb effort of all BC Buildings' employees who contributed to the year's achievements.

Corporation President Dennis Truss, Royal British Columbia Museum Director Bill Barkley, Regional Director Jim Harrison (Property Management). The Corporation was involved in the museum's recently completed 20-year strategic plan.

New Response for New Needs

Entering the Nineties, we undertook a critical self-assessment as to how well the Corporation was responding to the needs of its customers — whether we had an appropriate focus on our ability to respond in the way we should to the challenges of the future. We looked at ourselves from a customer perspective, whose input had been sought in two surveys, and from the perspective of our shareholder, the Province of British Columbia. We considered our strengths, and looked for areas of improved performance opportunity.

We were also driven by an awareness that successful organizations everywhere, both public and private, were doing the same thing — reassessing their standards and making bold moves to improve the quality of their performance and service — all focussed on customer satisfaction.

From discussions that centred on this emerging attitude, a new vision was developed for the Corporation.

Our customers will choose to do business with us because of our leadership in providing quality work environments.

We will be a service-driven organization, respecting our customers as partners and committing ourselves to their success.

There are a number of key elements in our vision that will allow us to improve our performance and inspire us in a drive for excellence.

- The concept of **customers having choices** is already with us as we strive to be of service to public organizations who are *new* customers. As well, our traditional customers will be given more and more choices in methods of the provision of space and related services. It is imperative that all BCBC employees respect and serve all customers as though they had a choice — to do business with us, or with someone else.
- We seek to become **known as leaders** in all that we do on behalf of our customers. Our established leadership position in energy management, space programming and project management has been expanded into environmental awareness, building cabling, cleaning, earthquake preparedness and security.
- Our goal of providing **quality work environments** will drive us to help our customers perform better. We will be conscious always that we are here to serve them.
- **Service** will unify the Corporation's activities. Improving service will be a constant priority.
- The nature of our customers' businesses and the long-standing relationships we have enjoyed with most of them will evolve naturally into the development of **strategic partnerships** to enhance our mutual effectiveness.
- **Commitment to our customers' success** is the other critical element in our vision. It focuses on creating positive results that will further enhance our business relationships.

Important progress has been made in the last year, establishing the foundation for this evolving and positive program. I look forward to leading this important era of change in the Corporation and to providing the status of our progress in future Annual Reports.

A Vision for Success

The Corporation continues to review its programs to ensure that they are relevant and appropriate. The development of our new vision grew out of this process.

Our planning covers both short and long-term horizons and incorporates input from all levels of the organization. Our most recent Five Year Plan identified the following Critical Success Factors which, together

with our new vision, will guide BCBC in the years ahead:

- Service will be further improved because we will have a better understanding of customer needs. Projects will be turned around faster because benchmarks will be established to measure service performance.
- The Corporation will market services that are product and client specific. The aim and the result of the new marketing focus will be more new business.
- The Corporation will be a leader in conducting its business in an environmentally sound manner.
- A proactive portfolio management policy utilizing lease/own solutions, renovations, disposals and acquisitions will ensure that the Corporation's portfolio generates a market-comparable return on investment while continuing to provide a high level of client satisfaction.
- All managers and supervisors will continue to involve their employees as full partners in setting expected goals — reviewing progress and amending programs, as required, to achieve those goals.
- The Corporation's short and long-term financial results will compare favourably with similar companies in the private sector.

BCBC is currently developing an executive reporting system which supports the benchmarks established by each department for the Critical Success Factors and reports actual performance versus the respective benchmark. External companies and our clients' input will be important to the process. These benchmarks are in addition to key indicators already established in our Five Year Plan.

Improved Customer Service

A number of steps have been taken to improve customer service.

We strengthened the areas of the Corporation that are directly involved with customer service by adding or redeploying people with relative skills and/or experience. These moves were made particularly in a number of Property Management Units and in Leasing. As well as the positive effect of these changes, we have been very pleased with the calibre of new people who have joined the Corporation and are making a solid contribution to BCBC's performance.

During the year, we responded to a record level of client requests. This part of our business represents opportunities to improve the working environment of our customers. Total activity amounted to just over $21 million for the year, representing an increase of 15% over the previous year and 49% in just two years. The capacity of our people, mainly in Property Management, was stretched, but they responded to the challenge.

Our first priority in the 1990/91 Business Plan was to improve teamwork in the delivery of all services and people in all areas of the Corporation responded to this priority. Teamwork produced excellent results in the development of our Strategic Community Space Plans; various groups supported our marketing initiatives by attracting new customers; there was cohesive effort in the introduction of the Energy Performance Contracting program; there were more effective meetings with customers in the field and with several corporate groups to discuss present and future accommodation issues. Working together is more effective than working apart.

One of the most important activities undertaken within the Provincial Government during the last year was the Service Quality BC Program. Under this initiative, input was sought from public sector employees throughout the province to determine attitudes and opinions regarding the quality of service provided by both internal and external customers and to identify the inherent impediments to providing improved service.

We were pleased to play a part in the Service Quality BC program, to have provided our people as participants and to have been recognized for providing excellent service during the two showcase events.

The Service Quality BC Business Plan contained three action items that involved the Corporation and I am pleased that we are addressing these in a manner that is being viewed positively by our customers.

The three action items centred around greater delegation of authority to Ministry and Corporation staff, giving Ministries choices in some aspects of their accommodation and introducing a single project manager concept.

Responding to the first two items, we convened a group of senior managers from the Corporation to work with a group of Ministry senior managers to discuss these opportunity areas and to recommend appropriate courses of action. The single project manager concept is being reviewed within the Corporation and has broad organizational implications.

Aspects of customer service vary from serving coffee to going out in the snow. Above: Building Maintenance Man Terry Hyde serving coffee to Gina Stenger and other Ministry of Lands and Parks employees on their first day at a new office in Victoria. Below: Building Mechanical Maintenance Man Jeff Kidd and Operations Supervisor Bud Palfy repairing a pumping station near Charlie Lake.

Further developed, it will be reviewed with our customers for feedback and support.

The recommendations of the Ministry and Corporation committee were presented to the Service Quality steering committee and then to all deputy ministers. These recommendations are now being implemented and include:

- enhancing communication between the Corporation and its customers at both the head office and field level, particularly in the areas of composition of budgets and operating costs and sharing of other facilities-related information.
- working with Ministries to identify areas where it may be more expedient for our customers to exercise a degree of direct control.
- on a pilot basis, to work with a few ministries to increase their delegation of authority to field personnel to facilitate more effective and timely decisions on accommodation issues at the local level.

The objectives of these recommendations are to improve service to customers and at the same time ensuring that administrative costs are not increased. I am quite confident that these initiatives, together with others in the months ahead, will ensure that the quality of our service is further enhanced.

To make certain that all of our employees are operating consistently with respect to improved service, we have introduced a customer service training program within the Corporation and have engaged a respected consultant to work with us to help us lift our standards. By the end of 1991/92, all Corporation employees will have completed this program. The follow-up and reinforcement of customer service, through the development of appropriate benchmarks, will be an ongoing activity.

Marketing Brings Results

During the year we set out to meet one of our primary objectives of diversifying our existing client base and enhancing our productivity by providing corporate products and services to other publicly-funded organizations within the province. Like any good corporation we sought to capitalize and benefit from available goods and services.

We implemented, reviewed and modified our first Marketing Plan with encouraging results. Revenue exceeded budget projections, contact was made with a wide range of public sector organizations and our people worked together to identify and implement potential marketing opportunities. Significant in the marketing effort was the conclusion of our first agreement with the BC Mental Health Society at Riverview, our largest non-Ministry customer. We are looking forward to a long and mutually beneficial relationship.

Our new energy performance contracting business has been very well received. Under this concept, the Corporation carries out an audit of the customer's energy usage and develops a plan for achieving energy savings. To encourage our customers to take advantage of the indicated savings, we will finance the work and recover our costs and markups out of the savings. Much of our energy performance contracting work has been associated with helping our customers take advantage of BC Hydro's Power Smart program. By the end of the year, we had contracts in place valued at almost $1.2 million and a further $3.2 million under active discussion with potential customers.

In association with BC Hydro, we have developed an excellent training program for building system operators. Our involvement with the members of the Crown Management Group should provide more opportunities to work and strengthen our relationship with other public sector organizations.

The Corporation's capabilities and expertise in such areas as space planning, needs analysis and feasibility studies, have enabled us to also serve several Municipal Governments and Regional Districts. We expect to expand our business relationships with local governments and will be proactive in developing this positive progress in the year ahead.

We firmly believe that BCBC can be an effective business partner with publicly-funded organizations and societies throughout the province. We have made a good start in the development of this kind of business by creating relationships of substance with our customers. The taxpayers of British Columbia will be the ultimate beneficiaries.

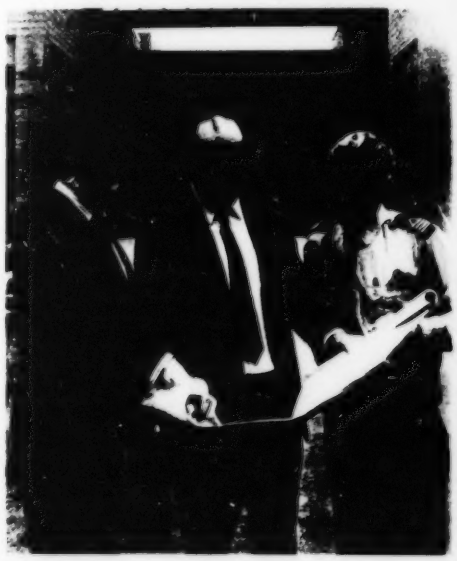
Accommodation Activity Increases

During the year we completed several major capital projects and neared completion on several others. In addition to our brisk client service work, our leasing activity continued at a high level and we undertook a number of strategic portfolio management initiatives.

Projects completed during the year included:

- the 254-bed Fraser Regional Correctional Centre in Maple Ridge — ahead of schedule and at a cost of $46.9 million.
- the 140-bed Burnaby Correctional Centre for Women, completed at a total cost of $38.8 million.
- a new $4.5 million courthouse in Maple Ridge.

In all, capital projects valued at more than $109 million were transferred from construction to operating status during the year as income



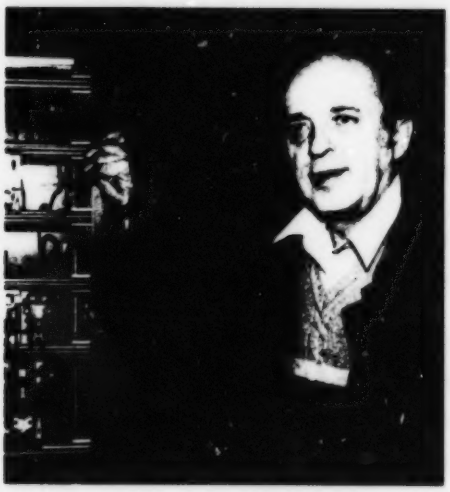
The Fraser Regional Correctional Centre was among the $109 million worth of projects completed during the year. This facility at Maple Ridge was completed ahead of schedule. Project Manager John Warby (Development), Mechanical Superintendent Ian Rowland (Property Management), and Corrections District Director Rene Gobillot.

producing properties. Major capital projects nearing completion at the end of the fiscal year included:

- The $41.6 million Surrey Pretrial Services Centre, officially opened in May.
- The $27.2 million Surrey Courthouse, officially opened in April.
- The Kelowna Health Centre is scheduled to be completed in June at a cost of $5.3 million.

Highlights of our leasing activity were:

- The completion of a 75,000 sq. ft. office building in Victoria to consolidate the Ministry of Municipal Affairs, Recreation and Culture, plus the Parks branch of the Ministry of Lands and Parks.
- A 70,000 sq. ft. leased office building will be officially opened in June in Victoria to consolidate the head office of the Ministry of Lands and Parks.
- We completed 165 new leases and 166 renewals of existing leases, representing more than 1.8 million square feet in total.
- By the end of the year, our total leased space portfolio comprised 1,052 leases and space of 6.3 million square feet. Both were the highest levels in our history.



Environmental savings are gained in many ways. Operations Supervisor Herb Muller (Burnaby) devised a way of automatically switching off elevator motors in a residential institution if the elevators were not called for 90 seconds. This electricity saving is worth $18,000 a year and contributes to the Corporation's $56 million taxpayer cost avoidance through energy management.

- Payments during the year to the private sector for leased space totalled $70.6 million, an increase of more than $10 million from the previous year, recognizing the increase in amount of space leased.

We took more proactive measures to strategically manage our space portfolio. In addition to managing space on a customer-by-customer and building-by-building basis, we have taken a more in-depth look at our portfolio from a community perspective.

Community Space Planning

Because of the growing demands in the capital city area, the Victoria Strategic Plan is now updated on a quarterly basis. In Victoria we own and lease approximately 2.7 million sq. ft. of office space, representing some 54 per cent of Victoria's total office market. Coincidentally, Victoria currently has by far the lowest vacancy rate in the country, which makes our challenge of meeting customers' office space requirements even more demanding.

I was pleased to have had an opportunity to present the Victoria Office Strategic Plan to both the Treasury Board and the Deputy Ministers' Council. There are a number of Ministries with whom we are working closely in the development of plans for consolidating office space requirements in Victoria. The Plan is invaluable in balancing identified and projected future needs with our existing space portfolio.

We also completed strategic community space plans for Kamloops, Nelson, and Prince George. This involved extensive discussions with ministry staff in both head office and the regions, as well as representatives from various parts of the Corporation. The end results of these planning initiatives were of a very high quality and represented excellent examples of our commitment to greater teamwork in defining and achieving objectives. The vice-presidents and I visited Prince George to view our properties and to meet with our local customers as part of the review process for strategic planning. We will do the same in other areas. Ongoing strategic community space planning will be enhanced as an integral part of our overall approach to professional portfolio management in each community.

We developed and refined a model to assist us in deciding whether our customers benefit more from occupying a corporate-owned facility or a facility leased from the private

In response to client concerns about earthquakes, the Corporation prepared a 10 minute video on earthquake preparedness. Employees acting in the video are: Senior Programmer Analyst John Roebuck (Administration), Marketing Assistant Ann Scott (Marketing and Client Services), Project Assistant Cathy Irwin (Development), Consultant Dennis Wellborne (Administration), and Leasing Assistant Sandra Gent (Real Estate).

sector. The model considers a diverse range of inputs including the proportion of owned and leased space in the community, local economic considerations, the present real estate market, and a prognosis for future and particular customer requirements. The overall cost to government is an important dimension in the model which has already proven to be a valuable project decision making tool.

Net Income Increases

BCBC's net income for the year was $20.6 million, an increase of $1.5 million, or 7.9%, from the previous year. Income before interest increased by $6.2 million, or 9.3%, to $73 million.

Revenues for the year were up by almost $32 million and reflected the increase in our total space portfolio, new corrections and other facilities coming on stream to replace older, outdated facilities, as well as an increase in business with our non-Ministry customers.

Key financial indicators also strengthened during the year. Return on investment increased to 12.1% from 11.7%, and return on equity increased slightly to 16.3% from 16.2% last year.

During the year, we disposed of 25 surplus properties for total proceeds of $18.3 million and net gains on disposal of $6.5 million, a significant contribution to our net income.

Our building operations costs continued to be well managed. Our costs-per-square-metre were marginally lower than the previous year even though we experienced inflationary increases of 6.1% over the previous year. During the past five years, our operations costs have risen by 8.4%, compared with inflationary increases of 23.3%. The benefits of sound management of building operations and maintenance costs are passed on to our customers through the annual budget process.

We continued to provide leadership in the field of energy management. During the year, our cumulative cost avoidance approached $56 million. Overall, average consumption in our buildings is approximately 55% lower than it was 12 years ago when the energy management program was launched. As noted in my comments on Marketing, we are pleased to be sharing more and more of our expertise with other public sector organizations.

Environmental Leadership

One of our key corporate priorities is to be environmentally responsible and to provide leadership in this important area. Our Environment-Plus Committee, a group of committed volunteer BC Buildings employees, has been very active in developing and promoting environmental awareness throughout the Corporation. We have completed a number of initiatives and have set priorities for several others. Our progress to date and plans for the future are covered as the subject of the theme article in this Annual Report.

I believe that we have made significant progress in our environmental priorities. With the combined support of our employees, Board of Directors and customers, we will achieve substantially more in the future.

An Investment in People

It is our people who will ensure that we achieve our vision at BCBC. It is in our people that we continue to invest.

We have expanded our training to include a high quality customer service program. At the same time we are offering many of our traditional courses and seminars to help more and more employees expand their skills in their present positions, to strengthen their opportunities for the future.

During the year, we provided courses in Management Process Skills, Negotiating, Supervisory Skills, Administration for Operations Staff, and Coping with Stress. In addition, many employees were enrolled in real estate, property management, and accounting programs sponsored by professional organizations. All of this activity helps to keep us current and competitive.

We continued to provide opportunities for people to enhance their careers. In the last year, 108 Buildings Corporation people received either a promotion, reclassification or had accepted a lateral transfer to obtain greater experience. As we move into our strategic renewal program, there will be many more opportunities for our people to experience new challenges as we restructure the organization to best meet our customers' service requirements, to deliver projects on time and within budget.

An important initiative this year was the establishment of a Women's Advisory Committee to the President. This committee comprises eight volunteer employees and represents a strong cross-section of women from all parts of the Corporation. The committee played an active role in compiling a comprehensive survey of employees on a wide range of topics. It spearheaded the introduction of the Taking Charge of Your Career course, which has been well received by all who participated. As well, the committee has provided valuable coordination with the activities sponsored by

Investing in employees brings forth many positive morale indicators . . . Cleaner Mary Jankola (Vancouver) receives an engraved silver tray from Corporation President Dennis Truss. Mary completed 40 years with only one day's sick leave.

the Ministry of Women's Programs and has organized several lunchtime information sessions which are of prime interest to women.

Another initiative this year was the sponsoring of a daycare project, in partnership with the BC Systems Corporation and the Purchasing Commission. The project is scheduled to be completed in the fall and will provide daycare for the children of a number of our employees.

During the year, we welcomed 30 new employees to the Corporation. Their talents and experience will ensure that we can become an even better performing corporation.

Crown Management Group

During the year, the Provincial Government announced the establishment of the Crown Management Group, an association of the Chief Executive Officers of British Columbia Crown corporations and commissions and three deputy ministers.

The group has met and established a number of priorities that take optimum advantage of the experience and expertise in each of the participant organizations. We were pleased to be invited to be a part of this group and to be responsible for coordinating activity in the energy and environment areas. The members of the group have achieved many impressive results in these and other areas and we are anxious to work together for the benefit of all British Columbians.

The Corporation is chairing the Environment Committee of the Crown Management Group. This committee has already developed substantial momentum and is showing tremendous capacity and willingness to work together on jointly agreed priorities. The committee's main activities are grouped under recycling, energy management, hazardous waste management and environmentally sound purchasing.

In addition to the energy and environment areas, we have participated in the Group's purchasing initiatives and in the development of a more effective and efficient communications network in the province. The Crown Management Group has obvious challenges. I have confidence we will work toward substantial solutions.

A joint daycare project between BC Systems Corporation, the Purchasing Commission, and the Corporation was started in Victoria. On the site are: Systems Corporation Director of Employee Development and Library Services Mary Martin, Project Manager Robin Spear (Development), Senior Technical Advisor Cherry Price (Marketing and Client Services), Quantity Surveyor Mark Brown (Development) and his son Jeremy.

Setting New Priorities

BC Buildings' main priority for 1991/92 will be to make meaningful progress toward achieving the Corporation's newly-established vision. It is a concept and a goal that has been positively received throughout the Corporation. Together with our Core Values and Guiding Principles — which were being developed as the fiscal year ended — and our Critical Success Factors, it will serve as a strong directional beacon for organizational success.

In addition, we will:

- enhance service by getting closer to our customers. With customer input to establish meaningful benchmarks, we will substantially improve project delivery.
- improve the management of our portfolio by developing high quality Community Strategic Plans with full input from our customers. We will take a leadership role in presenting space opportunities to the Treasury Board, make significant progress in the redevelopment of the Oakalla and Jericho Hill lands and earn market-comparable returns on our properties.
- improve our organizational effectiveness by encouraging all employees to take a corporate perspective in decisions making, introducing the Contribution Centre Reporting concept and further enhancing inter-group and inter-personal teamwork.
- further develop our people by presenting training programs that emphasize service quality, encouraging everyone to become more entrepreneurial in their perspective, expanding where feasible, opportunities for our people to gain more experience in other areas of the organization, and increasing opportunities for women.

- enhance our marketing effectiveness by developing partnership relationships with all customers, achieving the expected results in the Marketing Plan, and better communicating our results and priorities to all of our stakeholders.
- achieve the results of our Environmental Plan by involving all employees in supporting our Environmental Value Statement, seeking environmentally sound solutions in the design of quality work environments for our customers, expanding paper recycling to all regions of the province and providing leadership to the Crown Management Group's Environment Committee.

A Word of Thanks

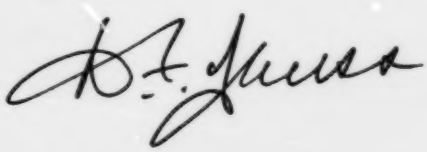
As I conclude these comments, I would like to extend thanks to all of our customers for their business and support during the year, and again to our employees for their continued outstanding commitment to serve our customers and to meet their accommodation needs.

I also extend thanks to Chairman Tom Toynbee and the other members of the Board of Directors for their enthusiastic support and guidance during the year, and to the Honourable Carol Gran, Minister Responsible for the Corporation, for her interest and support.

During the year, three members left our Board of Directors. Bob Parkinson of Victoria was a Board member for more than 11 years, attended all but one meeting and chaired two committees; Dan Peterson of Langley, who served on our Board for three-and-a-half years and Gordon Robson of Maple Ridge, who served on our Board for almost five years and chaired the Board Compensation Committee. I thank all three for their outstanding contribution during their terms of service. We were pleased to welcome Lynn Roberts of Surrey and Norman Cafik of Sidney to the Board and look forward to working with them and the other members of the Board in the years ahead.

Again, as always, we are in times of change and opportunity. Our satisfaction, as a Corporation, and as individuals within it, is to accept the challenge and move forward with confidence.

Respectfully,



Dennis Truss
President and Chief Executive Officer

FINANCIAL REPORT 1991

MANAGEMENT'S REPORT

The financial statements of British Columbia Buildings Corporation have been prepared by management in accordance with generally accepted accounting principles consistently applied and appropriate in the circumstances. The financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the accounting policies summarized in the notes to financial statements. The external auditors appointed by the Board of Directors have examined the financial statements which have also been reviewed by the Audit Committee and approved by the Board. Financial information presented elsewhere in this Annual Report is consistent with that in the financial statements.

The Audit Committee, comprised of non-management members of the Board of Directors, meets periodically with internal auditors, the external auditors, and management, to ensure that each group is fulfilling its obligations.

Management depends upon a system of internal accounting controls that provide reasonable assurance, on a cost effective basis, that the financial information is reliable and accurate. This system is maintained through the performance of a comprehensive internal audit program.

Dennis Truss
President and
Chief Executive Officer

Brian Kennedy
Vice-President and
Chief Financial Officer

AUDITORS' REPORT

To the Lieutenant-Governor-in-Council Province of British Columbia

We have audited the balance sheets of British Columbia Buildings Corporation as at March 31, 1991 and 1990 and the statements of income, retained earnings and changes in financial position for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 1991 and 1990 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

Chartered Accountants
Vancouver, Canada
May 3, 1991

BALANCE SHEET

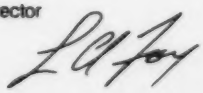
as at March 31

$ thousands	1991	1990
ASSETS		
Real estate investments		
Income-producing properties (note 2)	**597,555**	535,972
Income-producing properties under construction (note 3)	**83,864**	133,851
Land held for development (note 4)	**10,779**	8,246
	692,198	678,069
Corporate properties and equipment (note 5)	**6,517**	7,486
Unamortized debt discount and issue expenses	**11,674**	14,447
Other assets (note 6)	**25,775**	19,331
	736,164	719,333
LIABILITIES		
Long-term debt (note 7)	**414,729**	373,280
Notes payable to the Province of British Columbia (note 8)	**1,876**	12,182
Short-term debt (note 9)	**104,536**	137,317
Other liabilities (note 10)	**89,177**	69,370
EQUITY		
Contributions by the Province of British Columbia (note 11)	**55,469**	55,528
Retained earnings	**70,377**	71,656
	736,164	719,333

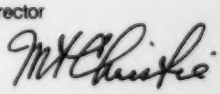
Commitments (note 12)

ON BEHALF OF THE BOARD:

Len Fox, Director



Malcolm Christie, Director



The accompanying notes are an integral part of these statements.

STATEMENT of INCOME

for the year ended March 31

$ thousands	1991	1990
REVENUE (note 14)		
Rentals	**265,059**	241,252
Other income	**33,334**	25,331
	298,393	266,583
EXPENSES		
Property management	**84,477**	76,509
Leases	**70,621**	60,093
Depreciation	**34,283**	32,172
Energy	**13,586**	12,347
Property taxes and grants	**11,608**	10,510
General and administrative	**10,825**	8,155
	225,400	199,786
INCOME BEFORE INTEREST	**72,993**	66,797
Interest (note 13)	**52,372**	47,679
NET INCOME	**20,621**	19,118

STATEMENT of RETAINED EARNINGS

for the year ended March 31

$ thousands	1991	1990
Balance, beginning of year	**71,656**	54,055
Net income	**20,621**	19,118
	92,277	73,173
Dividend	**21,900**	1,517
Balance, end of year	**70,377**	71,656

The accompanying notes are an integral part of these statements.

STATEMENT of CHANGES in FINANCIAL POSITION

for the year ended March 31

$ thousands	1991	1990
OPERATING ACTIVITIES		
Net income	**20,621**	19,118
Non-cash items – depreciation and amortization	**38,198**	35,608
– gains on disposal of properties	**(6,512)**	(3,284)
Other assets and liabilities, net change	**(13,882)**	(5,118)
	38,425	46,324
FINANCING ACTIVITIES		
Long-term debt issued	**75,000**	129,361
Long-term debt repayments	**(11,477)**	(56,478)
Increase in sinking funds	**(22,073)**	(19,386)
Decrease in notes payable to the Province	**(10,306)**	(10,305)
Increase (decrease) in short-term debt	**(32,781)**	26,298
	(1,637)	69,490
INVESTMENT ACTIVITIES		
Real estate investments	**(63,785)**	(110,208)
Sale proceeds from disposal of properties	**24,857**	9,322
Corporate properties and equipment	**(2,064)**	(2,327)
	(40,992)	(103,213)
DIVIDENDS		
Dividend declared	**(21,900)**	(1,517)
Increase (decrease) in dividend payable	**20,383**	(21,195)
	(1,517)	(22,712)
DECREASE IN CASH AND CASH EQUIVALENTS	**(5,721)**	(10,111)

The accompanying notes are an integral part of these statements.

NOTES to the FINANCIAL STATEMENTS

March 31, 1991 ($ thousands)

1. ACCOUNTING POLICIES

The Corporation is incorporated under the British Columbia Buildings Corporation Act as a Crown Corporation of the Province of British Columbia, and is an agent of the Crown.

(a) Real Estate Investments

Real estate investments and corporate properties and equipment are recorded at cost less accumulated depreciation. In addition to land and direct costs, amounts capitalized to real estate investments during development and construction include property taxes and the applicable portion of both interest on general borrowings and general and administrative expenses.

(b) Depreciation

Real estate investments and corporate properties and equipment are depreciated on an individual basis by the straight-line method over their estimated useful lives or lease terms. Depreciation is prorated by month in the year of acquisition or disposal.

The estimated useful lives or lease terms of income-producing and corporate properties are between five and forty years. The estimated useful lives of all other assets are between three and ten years.

(c) Income Taxes

The Corporation is exempt from Federal and Provincial income taxes.

(d) Sinking Funds

Payments made to sinking funds with respect to retirement provisions of sinking fund bonds and debentures, together with accumulated sinking fund earnings, are netted against the related debt. The related sinking funds will be applied against the bonds or debentures when they are redeemed and cancelled. Interest earned on the sinking funds is treated as interest income with a corresponding increase in the sinking funds.

(e) Amortization of Debt Discount and Issue Expenses

Debt discount is amortized by the effective rate of interest method and issue expenses are amortized on a straight-line basis, both over the terms of the applicable debt.

(f) Cash and Cash Equivalents

Cash and cash equivalents for purposes of the Statement of Changes in Financial Position includes cash net of bank indebtedness.

(g) Rentals Received in Advance

Rentals received in advance are amortized using the effective rate of interest method over a period of approximately ten years.

2. INCOME-PRODUCING PROPERTIES

	1991	1990
Net book value:		
Cost	**855,133**	770,856
Accumulated depreciation	**(257,578)**	(234,884)
	597,555	535,972
Activity:		
Net book value, beginning of year	**535,972**	531,692
Properties transferred from income-producing properties under construction	**109,112**	37,585
Acquisitions (Disposals), Net	**(16,274)**	(4,277)
Depreciation expense	**(31,255)**	(29,028)
Net book value, end of year	**597,555**	535,972

3. INCOME-PRODUCING PROPERTIES UNDER CONSTRUCTION

Balance, beginning of year	**133,851**	64,054
Direct development and construction costs	**46,888**	94,251
Capitalization of:		
Interest	**7,584**	6,882
General and administrative expenses	**4,653**	6,249
Cost of properties completed and transferred to income-producing properties	**(109,112)**	(37,585)
Balance, end of year	**83,864**	133,851

4. LAND HELD FOR DEVELOPMENT

Balance, beginning of year	**8,246**	7,753
Capitalization of interest and property tax	**768**	244
Acquisitions, Net	**1,765**	249
Balance, end of year	**10,779**	8,246

NOTES to the FINANCIAL STATEMENTS

March 31, 1991 ($ thousands)

5. CORPORATE PROPERTIES AND EQUIPMENT

	1991	1990
Cost:		
Office and data processing equipment	**13,744**	12,535
Corporate properties and leasehold improvements	**3,428**	3,163
Maintenance equipment	**2,743**	2,659
Vehicles	**4,020**	3,771
	23,935	22,128
Accumulated depreciation	**(17,418)**	(14,642)
	6,517	7,486

6. OTHER ASSETS

Accounts receivable		
– Province of British Columbia	**20,908**	14,346
– Other	**4,529**	4,306
Prepaid expenses	**338**	679
	25,775	19,331

7. LONG-TERM DEBT

	1991	1990
Principal outstanding:		
32 series at an average effective interest rate of 11.35% maturing at various times to 2011 (1990 - 32 series at an average effective interest rate of 11.75%)	**531,026**	467,504
Sinking funds on deposit with the Minister of Finance and Corporate Relations for British Columbia, relating to long-term debt of $382,532 (1990 - $357,727)	**(116,297)**	(94,224)
	414,729	373,280

At March 31, 1991, the coupon rates on the long-term debt ranged from 5.25% to 15.69% (1990 - 5.25% to 15.69%).

Of the long-term debt outstanding, $352,361 (1990 - $277,361) is payable to the Minister of Finance and Corporate Relations for British Columbia. The Province has unconditionally guaranteed the principal and interest of all other long-term debt issued by the Corporation.

At the option of the Minister of Finance for Canada, Sinking Fund Debentures with an aggregate principal of $165,041 maturing between 1997 and 2003 may be called prior to maturity under certain conditions on six months written notice.

Principal payments, net of projected sinking fund balances at maturity, and sinking fund payments for each of the next five years:

1991/92	**47,132**
1992/93	**68,033**
1993/94	**16,814**
1994/95	**61,029**
1995/96	**13,625**

NOTES to the FINANCIAL STATEMENTS

March 31, 1991 ($ thousands)

8. NOTES PAYABLE TO THE PROVINCE OF BRITISH COLUMBIA

The promissory notes are non-interest bearing, callable on 30 days notice. The remaining amount of $1,876 is repayable prior to March 31, 1992.

9. SHORT-TERM DEBT

The interest rates on short-term debt range from 9.62% to 13.53% (1990 - 11.32% to 13.27%), and result in an average effective interest rate of 10.90% (1990 - 12.56%) for the notes outstanding. These notes mature at varying dates to November 29, 1991 and are payable to the Minister of Finance and Corporate Relations for British Columbia.

10. OTHER LIABILITIES

	1991	1990
Due to bank, unsecured	**6,219**	498
Accounts payable and accrued liabilities	**25,205**	27,608
Holdbacks	**7,145**	11,650
Accrued interest payable:		
- Province of British Columbia	**12,015**	10,479
- Other	**6,051**	6,130
Rentals received in advance from the Province of British Columbia	**10,642**	11,488
Dividend payable	**21,900**	1,517
	89,177	69,370

11. CONTRIBUTIONS BY THE PROVINCE OF BRITISH COLUMBIA

Balance beginning of year	**55,528**	55,528
Land returned to the Province	**59**	–
Balance, end of year	**55,469**	55,528

12. COMMITMENTS

The Corporation estimates that the cost to complete projects under construction will be $40,000 of which $11,000 has been committed.

The Corporation has entered into leases with third parties to provide space for its client ministries and its head office for varying periods up to the year 2037, at a total aggregate net rental of approximately $274,000. Most leases are for between five and ten years and include renewal options.

Minimum annual lease payments which will be charged to operations in subsequent years, for leases committed at March 31, 1991:

1991/92	**63,000**
1992/93	**54,000**
1993/94	**43,000**
1994/95	**35,000**
1995/96	**24,000**
Post 1995/96	**55,000**

13. INTEREST

	1991	1990
Interest on long-term debt	**51,527**	47,448
Other interest	**16,548**	12,979
Amortization of debt discount and issue expenses	**3,915**	3,435
	71,990	63,862
Deduct:		
Interest earned	**11,575**	9,250
Interest capitalized	**8,043**	6,933
	19,618	16,183
	52,372	47,679

14. RELATED PARTY TRANSACTIONS

The Corporation received 83% of its total revenues from Provincial Government ministries. These revenues consist primarily of rents that are determined with reference to market; however, in such cases where comparable market rates do not exist, rents are based on the amortization of the capital costs. .

During the year, some property was sold to a related party at book value, which approximated fair market value. Of the total proceeds of $10,200, $3,300 was paid by the purchaser and $6,900 was paid by the Provincial Government.

CORPORATION CARES FOR ENVIRONMENT

From a scrap of paper to a complete building — that's the range of recycling being carried out by the British Columbia Buildings Corporation.

This broad scope of recycling and reusing is an indication of the Corporation's total environment program that touches the nearly 3,500 buildings managed by BCBC throughout the province. Also, the impetus of this program is carried by employees into their homes and communities.

The Corporation has formally dedicated itself to operate as an environmentally responsible citizen, through these established principles.

- to minimize the Corporation's impact on air, water, land and living organisms
- to consider the environment in every aspect of business planning and decision making
- to foresee and minimize the environmental impact of future actions and decisions
- to establish clear and exemplary environmental standards
- to communicate with and educate employees and customers about the Corporation's environmental initiatives and their implications

The Corporation has been environmentally active ever since it was established in 1978. Taking its first operational year of fuel usage as a base, an energy management program was implemented. It has now achieved a 55 per cent reduction and yielded a $56 million taxpayer-dollar cost avoidance. Five projects within

Operations Supervisor Pat Matthews (Victoria) with the Corporation's electric car.

the energy management program have won international awards.

The benefits of this technical expertise are now being extended to other buildings, beyond the Corporation's portfolio, through BCBC being a consultant to B.C. Hydro's Power-Smart program and also through the Corporation's energy management consulting services being contracted by other publicly funded organizations.

As the province's largest landlord BCBC makes a significant impact on paper recycling programs. In larger buildings it has installed compactors that can compress up to 10 tons of waste paper. At isolated locations, Corporation employees provide their own pick-up service, anyone visiting a building takes the collected paper to the nearest main recycling centre.

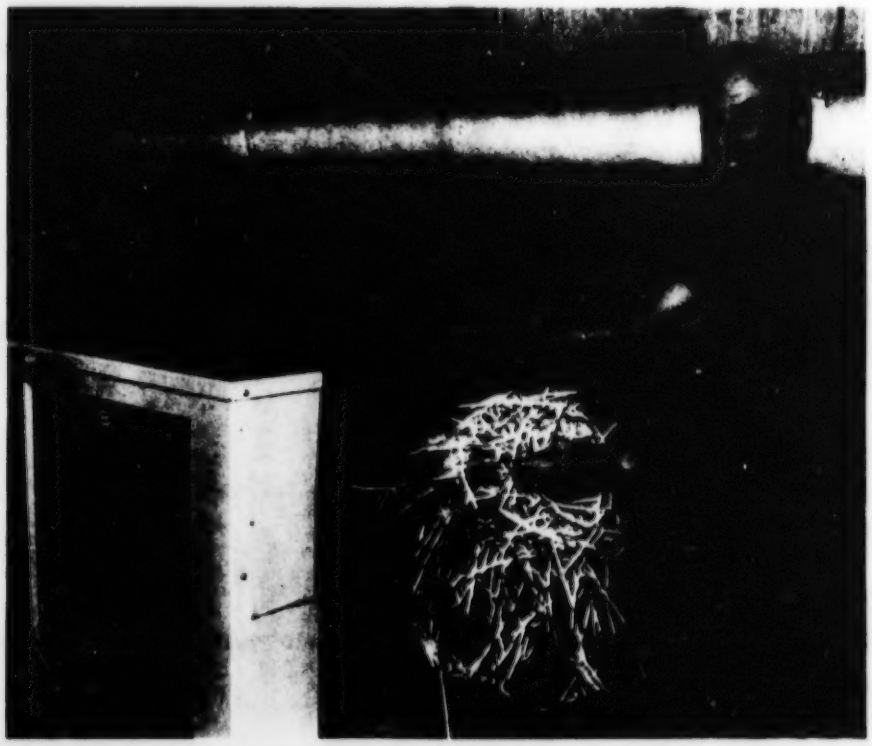
Another example of employee environmental efforts is in a building where a Corporation janitor used to burn confidential paper; he started a shredding and recycling program.

A corporate-wide forms reduction contest immediately eliminated a quarter-of-a-million sheets of paper and employees are still continually finding further ways of increasing these savings.

Recycling has also been extended to paint. In cooperation with a Victoria paint manufacturer, left-overs are being reprocessed into a more environmentally friendly product. Originally this was done only with interior paint, but now an exterior version has also been perfected.

Perhaps the ultimate in recycling, for an organization associated with construction, is to recycle a building. This was done with a 50-year-old building in Victoria. The wooden structure was no longer required and would, under past practice, have

Paper recycling starts with small scraps . . . Clerk Verna Gene (Vancouver).



Cleaner and Security Person Doug Nicholson (Victoria) started this shredding and recycling program, instead of burning the confidential papers.

been demolished and trucked off to a landfill site. However, the wood was fed into a chipping machine and converted for use as mulch and fire logs.

In the administration of environmental issues, BCBC chairs the Crown Management Group's Environment Committee, is a member of the Capital Regional District Round Table on the Environment; and, internally, a selection of employees from throughout the Corporation form the Environment-Plus Committee which acts on environmental issues at work and supports community environmental activities such as Earth Day.

With buildings as its business, the Corporation is crossing all its own doorsteps especially to make an environmental audit of its buildings. The health of each building, and its surrounding land, is being assessed and recommendations made for any appropriate corrective action. This project is in its early stages and will take a few years to complete.

In looking to learn from the world, the Corporation joined with the University of British Columbia's School of Architecture in sponsoring a forum at the university on environmentally-sound building design in Europe. Three leading European architects presented the latest information on energy management, resource use, and the environmental implications of building materials and systems.

Some environmental issues that the Corporation is investigating, and will be working on in the coming year, are —

- reducing the use of ozone-damaging chlorofluorocarbons (CFC's) used in refrigeration systems and Halons used in fire extinguishers
- concentrating on the management of hazardous wastes
- examining environmental implications of janitorial cleaning products
- continuing to explore safe herbicides and pesticides
- the management of underground storage tanks
- studying the effectiveness of the Corporation's electric car in various locations
- the Corporation's first solar water heating system will be installed in a Victoria building.

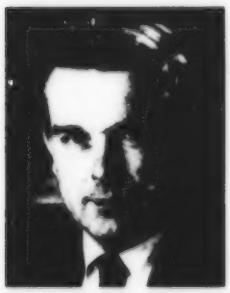
Operations Superintendent Jim Cuthbert and Environment Manager Nitya Harris (both Victoria) alongside the machinery used to grind up an old wooden building for recycling as mulch or fire logs.

CORPORATE MANAGEMENT

President and Chief Executive Officer Dennis Truss
General Counsel John Garrison

Marketing and Client Services Group
Vice-President John Bidlake

Departments
Client Services Director Bill Robertson
Marketing Manager Kevin Bell
Planning and Support Manager Hardy Sekhon



Development Group
Vice-President John Davies

Departments
Programming and Planning Manager Ben Vivian
Project Management Manager Peter Moyles
Standards and Cost Management Manager Jim Eaton

Real Estate Group
Vice-President John Robinson

Departments
Leasing Manager Gary James
Pricing and Economic Analysis Manager Bill Blair
Real Estate and Portfolio Management Manager Chris Schreiber
Space Management Manager Bob Brandle

Property Management Group
Vice-President Al Kemp

Departments
Administrative Support Manager Effie Fahey
Energy and Environment Manager Jack Meredith

Regions
1 (Vancouver Island) Director Jim Harrison
2 (Lower Mainland) Director Evan Brewer
3 (Southeast to Northern B.C.) Director Wray White

Administration Group
Vice-President Brian Kennedy

Departments
Corporate Controller Terry Gagne
Finance and Corporate Planning Manager Jim Alexander
Human Resources and Corporate Affairs Manager Grant Close
Internal Audit Manager and Corporate Secretary Mike Grannum
Management Systems Manager Lak Parmar
Organization and Staff Development Manager Bill Heschuk

AUDITORS

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Chartered Accountants
Vancouver, B.C.

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